

## Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00  
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02  
OMB-01 DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11  
/167 W

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P 061857Z JUN 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 0508  
INFO ALL EC CAPITALS

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 08614

USMTN USEEC

ACTION STR FOR AMB. WOLFF, GREENWALD, LANDE

E.O. 11652  
TAGS: ETRD, MTN, EEC  
SUBJECT: MCDONALD/DENMAN CONSULTATIONS, JUNE 2:  
FRAMEWORK ISSUES

1. FOLLOWING PARAGRAPHS GIVE HIGHLIGHTS OF DISCUSSION AND  
CONCLUSIONS REACHED DURING SUBJECT CONSULTATIONS ON  
ISSUES UNDER NEGOTIATION IN MTN FRAMEWORK GROUP.

2. BALANCE OF PAYMENTS/TRADE MEASURES. BRIEF DISCUSSION  
FOCUSED ON ADEQUACY OF U.S. 'CONSENSUS' PAPER (INF/19).  
EC HAS SOME REMAINING PROBLEMS OF DETAIL BUT PRINCIPAL  
POLITICAL ISSUE IS MEMBER STATES' RELUCTANCE (PRIMARILY  
UK) TO ACCEPT THE NON-LEGAL, POLITICAL, "BEST EFFORTS"  
COMMITMENT TO AVOID THE FUTURE USE OF BOP TRADE MEASURES.  
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DENMAN SAID THE MAIN PROBLEMS WERE "CALLAGHAN AND DELL";  
IF U.K. COULD BE WON OVER, OTHER MEMBER STATES WOULD  
PROBABLY FOLLOW. DENMAN THOUGHT THAT SOME SORT OF REPRESENTATION,  
POSSIBLY A STRAUSS/CALLAGHAN LETTER, WOULD BE  
USEFUL EFFORT WHICH COULD BRING SUBJECT WITHIN REACH.  
POLITICAL-LEVEL EXPLANATION NEEDED, ON ONE HAND OF THE  
SIGNIFICANCE OF THIS ITEM IN COMPLETING FRAMEWORK/MTN

PACKAGE, U.S. NEED TO MAKE A SHOWING ON ITS TRADE ACT MANDATE, IMPORTANCE TO SUBJECT MATTER OF BONN SUMMIT AND U.K. DESIRES TO MAKE THAT A MEANINGFUL SESSION, AND ON THE OTHER HAND RELATIVE MODESTY OF U.S. PROPOSAL COMPARED TO COMMITMENTS ALREADY UNDERTAKEN BY U.K. AND ANNUALLY RENEWED IN OECD TRADE PLEDGE. U.S. SAID WE SHARED VIEW THAT A POLITICAL EFFORT WITH U.K. WAS NEEDED TO UNBLOCK THIS ONE AND WOULD EXAMINE POSSIBILITIES FOR A STRAUSS LETTER. WE SOUGHT COMMISSION PRESENTATIONAL APPROACH TO MEMBER STATES WHICH WOULD DOWNPLAY INDIVIDUAL DIFFICULTY OF THIS PIECE OF THE PROBLEM AND INSTEAD STRESS ITS SIGNIFICANCE AS A NECESSARY BUT NOT TERRIBLY CHALLENGING PIECE OF A FINAL MTN PACKAGE.

3. ENABLING CLAUSE/RECIPROCITY/GRADUATION. THE TWO SIDES EXCHANGED VIEWS ON THE CURRENT STATE OF PLAY AND AGREED SITUATION HAD JUST BEEN COMPLICATED BY GATT SECRETARIAT'S DISTRIBUTION OF ITS OWN DISCUSSION DRAFT OF A COMPREHENSIVE ENABLING CLAUSE AND LANGUAGE ON RECIPROCITY/GRADUATION. WE NOTED THAT WE AND OTHER DCS HAD RECENTLY BEEN CONVERGING ON A POSSIBLE CLAUSE ALONG THE LINES OF THE COMMUNITY'S, WITH TIGHTER LANGUAGE TO PREVENT DISCRIMINATORY PREFERENCES AND TO PIN DOWN GRADUATION, WHICH DID NOT LEGITIMIZE LOME-TYPE AGREEMENTS NOR REMOVE GSP FROM MULTILATERAL REVIEW AND CONTROL. THIS SORT OF A CLAUSE MIGHT HAVE BEEN SALEABLE IN WASHINGTON. APPEAR-LIMITED OFFICIAL USE

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ANCE OF DG LONG'S PAPER NOW MADE IT IMPERATIVE THAT DCS REACH A COMMON POSITION AS SOON AS POSSIBLE, REFLECTED IN A JOINT PAPER WHICH WOULD BE A DEFINITIVE DC STATEMENT OF HOW FAR WE WERE PREPARED TO GO IN THIS AREA. POSSIBILITY OF GIVING SPECIAL RECOGNITION TO SITUATION OF LEAST DEVELOPED COUNTRIES WAS NOTED, IN CONNECTION WITH EMERGING INTEREST ON THEIR PART IN GRADUATION CONCEPT AS DEVICE FOR CHANNELING BENEFITS AWAY FROM MORE ADVANCED LDCS CURRENTLY GETTING LION'S SHARE. IT WAS AGREED THAT VERY HIGH PRIORITY WOULD BE GIVEN TO THIS OVERALL TASK OVER NEXT SEVERAL DAYS FOR ASSESSMENT AT NEXT MCDONALD/DENMAN SESSION JUNE 13. HOPEFULLY THIS WOULD LEAD TO MID-JULY RESULT IN WHICH ALL DCS AND SOME KEY LDCS WERE SUPPORTING ONE BASIC DOCUMENT. FALL BACK ALTERNATIVE WAS IDENTIFIED OF AN AGREED DC POSITION AS PART OF A JULY 15 "COMBINED OFFER" TO LDCS.

4. EXPORT CONTROLS. STATUS OF U.S. PAPER (INF/20) WAS REVIEWED, INCLUDING HEAVY INITIAL CRITICISM LEVELED BY LDCS AT RECENT 7-PLUS-7 SESSION (SEPTTEL). WE NOTED MISMATCH BETWEEN ACTUAL MODEST CONTENT OF OUR PAPER AND MUCH MORE SUBSTANTIAL AND SWEEPING WEIGHT ATTRIBUTED TO IT

(FOR TACTICAL REASONS) BY CANADIANS AND SEVERAL LDCS.  
WE REMINDED EC THAT OUR IMMEDIATE OBJECT WAS NOT TO  
ACHIEVE SUPPLY ASSURANCES OF THE SORT EC FELT WOULD NEVER  
BE FORTHCOMING; RATHER WE SOUGHT TO RIDE ON REAFFIRMATION  
OF SUBSTANTIAL EXISTING GATT PROVISIONS TO GIVE RENEWED  
EMPHASIS ON TRANSPARENCY AND PREDICTABILITY NOW ABSENT IN  
INTERNATIONAL USE OF EXPORT CONTROLS. LUYTEN SUGGESTED  
THAT WE CONTINUE TO PUSH BUT PLAN ON GETTING A  
"DISAPPOINTMENT CREDIT" ON THIS ITEM AND THEN CONVERT THAT  
INTO A UNILATERAL DECLARATION. DECLARATION WOULD STATE  
THAT DCS WOULD NOW REEXAMINE WHETHER THEIR IMPORT REGIMES  
COULD CONTINUE TO OPERATE AS PERMISSIVELY AS AT PRESENT,  
IF ASSUMPTION OF PAST FEW DECADES THAT EXPORTS WOULD MOVE  
FREELY WAS NO LONGER TO BE RELIED ON. WE OBSERVED THAT  
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IF THERE WERE ANY SUCH DECLARATION IT SHOULD ALSO INCLUDE

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P 061857Z JUN 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 0509

INFO ALL EC CAPITALS

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USMTN USEEC

ACTION STR FOR AMB. WOLFF, GREENWALD, LANDE

OUR MUTUAL INTERPRETATION OF KEY GATT PROVISIONS AS EMBODIED IN CURRENT U.S. DRAFT SO AS TO MAKE CLEAR WHAT FUTURE GOVERNMENTAL BEHAVIOR WE EXPECTED TO TREAT AS IN BOUNDS AND OUT OF BOUNDS. (COMMENT: WHILE LDCE AND CANADIANS MAY INDEED BE PUTTING THEMSELVES OUT OF REACH ON THIS QUESTION, WE SHOULD AT LEAST NOT RULE OUT POSSIBILITY THAT OTHER MAJOR DCs COULD COMMIT THEMSELVES TO A COMMON POINT OF VIEW IN THIS AREA AS A BUILDING BLOCK FOR FUTURE EFFORTS TO WIDEN GENERAL DISCIPLINES IN THE TRADING SYSTEM. END COMMENT.)

5. DISPUTE MANAGEMENT. THIS SUBJECT WAS DISCUSSED MAINLY DURING STANDARDS CODE SEGMENT (SEPT-91) WHERE MAIN U.S. POINTS OF INTEREST WERE ROLE OF A PANEL, THE "RIGHT" TO A PANEL, AND TARGET TIME LIMITS FOR PHASES OF THE LIMITED OFFICIAL USE

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DISPUTE RESOLUTION PROCESS. EC CLAIMED ITS RESISTENCE TO ABSOLUTE STATEMENT OF A PARTY'S RIGHT TO A PANEL WAS BASED ON NEED TO AVOID ASSERTIONS THAT PANEL MUST BE ESTABLISHED TO DEAL WITH, E.G., THIRD-WORLD POLITICAL QUESTIONS OR "CRAZY" ALLEGATIONS, RESULTING IN GROSS DISTORTION OF DISPUTES PROCEDURE; EC COULD THUS GO LONG WAY TOWARD GUARANTEEING A PANEL, BUT NOT ALL THE WAY. DISCUSSION OF TIME LIMITS WAS INCONCLUSIVE. SIDELINES CONVERSATION, HOWEVER, SUGGESTED THAT (AT LEAST IN STANDARDS CONTEXT) POSSIBILITY OF FOOTNOTES TO SPECIFY WHAT TIME PERIOD WOULD "NORMALLY" BE INTENDED BY A REQUIREMENT FOR 'PROMPTNESS' IN A CODE TEXT MIGHT BRIDGE THIS ISSUE. WE WILL BE CONTINUING OUR SEPARATE EFFORTS WITH THE EC AND OTHER INTERESTED DELEGATIONS TO FIND AN ACCEPTABLE GENERAL FORMULATION OF OUR DISPUTE MANAGEMENT REQUIREMENTS.

6. DRAFTED BY HARTZELL MCDONALD

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NEGOTIATIONS, BALANCE OF PAYMENTS, TRADE AGREEMENTS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Enclosure:** n/a  
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**Errors:** N/A  
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**TAGS:** ETRD, US, MTN, EEC  
**To:** STATE USEEC  
**Type:** TE  
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**Review Markings:**  
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